

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name LAKE LINDEN MI	County HOUGHTON
Audit Date 2/28/05	Opinion Date 7/18/05	Date Accountant Report Submitted to State: 10/4/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

JUTILA, JORGENSON, & ASSOCIATES PC

Street Address

PO BOX 175

City

HOUGHTON

State

MI

ZIP

49931

Accountant Signature

Michael J. Jutila CPA.

Date

10-4-05

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Jutila, Jorgenson and Associates, P.C.

P.O. Box 175

Houghton, Michigan 49931

July 18, 2005

Village Council
Village of Lake Linden
Lake Linden, Michigan 49945

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business – type activities, each major fund and the aggregate remaining fund information of the VILLAGE OF LAKE LINDEN, MICHIGAN as of February 28, 2005 and for the year then ended, which collectively comprise the Village's basis financial statements as listed in the table of contents. These financial statements are the responsibility of the VILLAGE OF LAKE LINDEN'S management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the VILLAGE OF LAKE LINDEN, MICHIGAN at February 28, 2005 and the results of its operations and respective changes in financial position and the cash flows, where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of February 28, 2005.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required

supplementary information. However, we did audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated July 18, 2005, on our consideration of the VILLAGE OF LAKE LINDEN, MICHIGAN'S internal control structure and its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed in the table of contents is presented for purposes of additional analyses and is not a required part of the financial statements of the VILLAGE OF LAKE LINDEN, MICHIGAN. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Michael J. Jutila, CPA

Michael J. Jutila
Certified Public Accountant
Jutila, Jorgenson & Associates, P.C.

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P.O. Box 175

Houghton, Michigan 49931

July 18, 2005

Village Council
Village of Lake Linden
Lake Linden, Michigan 49945

**Independent Auditor's Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

We have audited the financial statements of the VILLAGE OF LAKE LINDEN, MICHIGAN as of and for the year ended February 28, 2005 and have issued our report thereon dated July 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the VILLAGE OF LAKE LINDEN, MICHIGAN'S financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the VILLAGE OF LAKE LINDEN, MICHIGAN in a separate letter dated July 18, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the VILLAGE OF LAKE LINDEN, MICHIGAN'S internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider being material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the VILLAGE OF LAKE LINDEN, MICHIGAN in a separate letter dated July 18, 2005. This report is intended for the information of the Village Council, management, and state awarding agencies. However, this report is a matter of public record and its distribution is not limited.



Michael J. Jutila
Certified Public Accountant
Jutila, Jorgenson & Associates, P.C.

VILLAGE OF LAKE LINDEN, MICHIGAN

Management's Discussion and Analysis FY 2004-2005

The management, Council and Finance Committee members of the Village of Lake Linden present this overview and analysis of the finances of the Village of Lake Linden for the fiscal year ended February 28, 2005. It is presented for the broad purpose of providing additional information and insight into the financial statements and activities of the Village of Lake Linden and should be read in conjunction with the financial statements and the notes to the financial statements.

Financial Highlights

- **State revenue sharing reductions:** Village sales tax revenues from the state were reduced by 4%, a decrease of \$5,100.00.
- **General Fund revenue reduction:** Overall general fund revenue was down from the previous fiscal year by 11%, a decrease of \$42,923.00.
- **Fire Truck purchases:** The Village replaced a 1972 fire truck with a new 2004 Freightliner. This was accomplished with a USDA Rural Development grant/loan in the amount of \$46,000/\$73,500 and a \$28,000 expenditure from the equipment surplus funds.
- **Police Vehicle purchase:** \$24,000 from equipment surplus funds was used to purchase a 2005 Ford Explorer Police Vehicle.
- **Garbage Truck purchase:** \$27,000 from equipment surplus funds was used to purchase a 1992 CCC Garbage Packer.
- **Linden Dunes Golf Course Project:** Though most of the expenditures associated with this project were incurred in previous fiscal years, the process of finding funding options and investor alternatives continues and may result in some expenses for the short-term future.
- **Storm Sewer Inlet Structure Improvement Project:** \$15,000 in engineering fees were incurred for this improvement project. The work, approximately \$600,000.00 worth, was completed by the U.S. Army Corps of Engineers with Flood Mitigation funds from the federal government.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Lake Linden financial statements. The Village of Lake Linden basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Lake Linden finances, in a manner similar to a private-sector to a private-sector business.

The *statement of net assets* presents information on all of the Village of Lake Linden assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Lake Linden that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village of Lake Linden include public safety, public works, recreation and culture and general administrative services. The business-type activities of the Village of Lake Linden include water and sanitation services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Lake Linden, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Village of Lake Linden can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Lake Linden maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in the fund balances for the General Fund, Major Sheet, Local Street, Rehabilitation Investment, and Special Sewer Assessment, which are considered to be major funds.

The Village adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement had been provided for the general fund and the other major funds to demonstrate compliance with this budget.

Proprietary funds. The Village of Lake Linden maintains three proprietary funds. Enterprise funds are used to report the same functions presents as *business type activities* in the government-wide financial statements. The village uses enterprise funds to account for its water and sanitation activity. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village of Lake Linden uses an internal service fund to account for its fleet of vehicles and other equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The village has no fiduciary funds at this time.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Village's activities.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lake Linden Village, assets exceeded liabilities by \$1,409,018 at the close of the most recent fiscal year. By far the most significant portion of the Village's net assets (83 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village used these capital assets to provide services to citizens; consequently, these assets are *not* available for the future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village's Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 287,591	\$ 62,255	\$ 349,846
Capital Assets	817,875	1,534,035	2,351,910
Total Assets	1,105,466	1,596,290	2,701,756
Long-term Liabilities	115,096	1,115,000	1,230,096
Other Liabilities	47,995	14,647	62,642
Total Liabilities	163,091	1,129,647	1,292,738
Net Assets:			
Invested in Capital Assets			
net of related debt	744,375	419,035	1,163,410
Restricted	36,018	17,859	53,877
Unrestricted	161,982	29,749	191,731
Total Net Assets	942,375	466,643	1,409,018

An additional portion of the Village's net assets (4 percent) Represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$191,731) may be used to meet the Village's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

This is the first year that the financial statements have been prepared following GASB #34. Comparing this year's government-wide statements with previous year's statements is not possible.

Financial Analysis of the Village's Funds

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$131,389, a decrease of \$116,194 in comparison with the prior year. Approximately 73% of this total amount, \$95,371, constitutes *unreserved fund balance*, which is available for spending at the Village's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, the total fund balance was \$38,360. Unreserved fund balance represents 8 percent of total general fund balance.

The fund balance of the Village's general fund decreased by \$117,235 during the current fiscal year.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Sanitation, and Equipment funds at the end of the year amounted to \$134,663.

General Fund budgetary Highlights

Differences between the original budget and the final amended budget was a \$26,050 *increase in appropriations*.

Capital Asset and Debt Administration

Capital assets. The Village's investments in the capital assets for its governmental and business type activities as of February 28, 2005, amount to \$2,351,910 (*net of accumulated depreciation*). This investment in capital assets includes: land, buildings and system improvements, machinery and equipment, park facilities, etc. The total increase in the Village's investment in capital assets for the current fiscal year was 25 percent (a 26 percent increase for governmental activities and a 1 percent decrease for business-type activities).

Details of the Village's capital assets are in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the Village had total bonded and installment debt outstanding of \$1,230,096. Of this amount, \$1,230,096 comprises debt backed by the full faith and credit of the government and \$0 represents bonds secured solely by specified revenue sources.

Additional information on the Village's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in the state-shared revenues. State shared revenues are expected to decrease in the 2005-2006 fiscal year. The village budgeted for a decrease in state-shared revenue, and more cuts are expected before the end of the fiscal year. The Village's mileage rate was reduced again by the Headlee Amendment rollback to 10,685 mills for general operating purposes. These factors were considered in preparing the Village's budget for the 2005-2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Village of Lake Linden's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village's Clerk's Office;

Robert A. Poirier, Village Clerk
Villager of Lake Linden
401 Calumet Street
Lake Linden, MI 49945
(906) 296-9911
vll@lakelinden.net

VILLAGE OF LAKE LINDEN, MICHIGAN
Statement of Net Assets
AS OF FEBRUARY 28, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 135,625	\$ 12,346	\$ 147,971	\$ 25,116
Receivables	105,158	29,831	134,989	-
Internal balances	8,998	(8,998)	-	-
Inventories	35,195	11,217	46,412	-
Due from primary government	-	-	-	13,846
Prepaid expense	2,615	-	2,615	-
Restricted cash	-	17,859	17,859	-
Capital assets:				
Land	72,403	11,793	84,196	-
Other capital assets, net of depreciation	745,472	1,522,242	2,267,714	-
Total capital assets	\$ 817,875	\$1,534,035	\$2,351,910	\$ -
Total assets	\$ 1,105,466	\$1,596,290	\$2,701,756	\$ 38,962
LIABILITIES				
Accounts payable and accrued expenses	\$ 34,159	\$ 14,647	\$ 48,796	-
Due to component unit	13,846	-	13,846	-
Long-term liabilities:				
Due within one year	3,500	30,000	33,500	-
Due in more than one year	111,596	1,085,000	1,196,596	-
Total Liabilities	\$ 163,091	\$1,129,647	\$1,292,738	\$ -
NET ASSETS				
Invested in capital assest, net of related debt	\$ 744,375	\$ 419,035	\$1,163,410	\$ -
Restricted for:				
Debt service	-	17,859	17,859	-
Inventories	36,018	-	36,018	-
Unrestricted	161,982	29,749	191,731	38,962
Total net assets	\$ 942,375	\$ 466,643	\$1,409,018	\$ 38,962

**The accompanying notes to financial statements are an integral part of this statement

Village of Lake Linden, Michigan
Statement of Activities
Year Ended February 28, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for		Operating	Capital	Primary Government		Component Unit
	Expenses	Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 84,669	\$ -	\$ -	\$ -	\$ (84,669)	\$ (84,669)	
Public safety	92,611	17,576	500	46,000	(28,535)	(28,535)	
Public works	170,522	844	138,620	-	(31,058)	(31,058)	
Culture and recreation	70,046	10,583	-	-	(59,463)	(59,463)	
Other	128,801	-	-	-	(128,801)	(128,801)	
Interest on long-term debt	745	-	-	-	(745)	(745)	
Total governmental activities	\$547,394	\$ 29,003	\$ 139,120	\$ 46,000	\$ (333,271)	\$ (333,271)	
Business-type activities:							
Water	\$140,202	\$ 139,944	\$ -	\$ -	\$ -	\$ (258)	
Sanitation	54,824	49,468	-	-	-	(5,356)	
Total business-type activities	\$195,026	\$ 189,412	\$ -	\$ -	\$ -	\$ (5,614)	
Total primary government	\$742,420	\$ 218,415	\$ 139,120	\$ 46,000	\$ 333,271	\$ (338,885)	
COMPONENT UNITS:							
Downtown Development Authority	\$ 12,854	\$ -	\$ -	\$ -			\$ 12,854
General revenues:							
Taxes:							
Property taxes, levied for general purposes							
Captured Taxes							
Grants and contributions not restricted to specific programs							
Unrestricted investment earnings							
Miscellaneous							
Transfers							
Total general revenues, special items, and transfers							
Change in net assets							
Net assets-beginning							
Net assets-ending							

**The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKE LINDEN, MICHIGAN
Government Funds and Discretely Presented Component Unit
Balance Sheet
AS OF FEBRUARY 28, 2005

	<u>ASSETS</u>					<u>LIABILITIES</u>			Component Unit
	General Fund	Major Street	Local Street	Rehabilitation Investment	Special Assessment	Total	Accounts payable	Salaries payable	
Cash	\$ 13,804	\$ 79,909	\$ 3,572	\$ 2,132	\$ -	\$ 99,417			\$ 25,116
Receivables (net of allowance for doubtful accounts):									
Taxes	15,996	-	5,156	-	-	21,152			-
Accounts	2,395	-	-	-	-	2,395			-
Due from other governmental units	46,168	13,421	4,933	-	-	64,522			-
Loans	-	-	-	823	-	823			-
Special assessments	-	-	-	-	16,266	16,266			-
Due from other funds	19,523	-	1,600	-	-	21,123			-
Due from primary government	-	-	-	-	-	-			-
Due from component unit	-	-	-	-	-	-			-
Inventories	35,195	-	-	-	-	-			13,846
TOTAL ASSETS	\$ 133,081	\$ 93,330	\$ 15,261	\$ 2,955	\$ 16,266	\$ 260,893			\$ 38,962
	\$ 8,312	\$ 197	\$ -	\$ -	\$ -	\$ 8,509			\$ -
Accounts payable	3,874	1,076	635	-	-	5,585			-
Salaries payable	-	-	-	-	16,266	16,266			-
Due to other governmental units	52,693	2,890	8,563	-	-	64,146			-
Due to other funds	13,846	-	-	-	-	13,846			-
Due to component unit	15,996	-	5,156	-	-	21,152			-
Deferred revenue	\$ 94,721	\$ 4,163	\$ 14,354	\$ -	\$ 16,266	\$ 129,504			\$ -
TOTAL LIABILITIES									
FUND EQUITY									
Fund balance:	\$ 35,195	\$ -	\$ -	\$ 823	\$ -	\$ 36,018			\$ -
Reserved	3,165	89,167	907	2,132	-	95,371			38,962
Unreserved	\$ 38,360	\$ 89,167	\$ 907	\$ 2,955	\$ -	\$ 131,389			\$ 38,962
TOTAL FUND EQUITY	\$ 133,081	\$ 93,330	\$ 15,261	\$ 2,955	\$ 16,266	\$ 260,893			\$ 38,962

***The accompanying notes to financial statements are an integral part of this statement*

VILLAGE OF LAKE LINDEN, MICHIGAN
Governmental Funds and Component Unit
Statement of Revenues, Expenditures and Changes in Fund Balance
YEAR ENDED FEBRUARY 28, 2005

	Governmental Fund Types						Component Unit
	General Fund	Major Street	Local Street	Rehabilitation Investment	Special Assessment Fund	Primary Government	
Revenues:							
Taxes							
State grants	\$ 108,627	\$ -	\$ 47,776	\$ -	\$ -	\$ 156,403	\$ 24,280
Interest and rents	140,815	66,536	47,692	-	-	255,043	-
Charges for services	-	1,122	333	16	1,293	2,764	169
Other revenue	29,003	-	-	-	-	29,003	-
	83,071	-	-	-	-	83,071	730
TOTAL REVENUE	\$ 361,516	\$ 67,658	\$ 95,801	\$ 16	\$ 1,293	\$ 526,284	\$ 25,179
Expenditures:							
Legislative							
General government	\$ 8,382	\$ -	\$ -	\$ -	\$ -	\$ 8,382	\$ -
Public Safety	71,574	1,270	1,162	-	-	74,006	516
Public works	93,208	-	-	-	-	93,208	-
Recreation and culture	33,486	62,989	96,159	-	-	192,634	-
Other expenditures	62,659	-	-	-	-	62,659	-
	209,442	-	-	-	1,293	210,735	12,338
TOTAL EXPENDITURES	\$ 478,751	\$ 64,259	\$ 97,321	\$ -	\$ 1,293	\$ 641,624	\$ 12,854
EXCESS OF REVENUES (EXPENDITURES)	\$ (117,235)	\$ 3,399	\$ (1,520)	\$ 16	\$ -	\$ (115,340)	\$ 12,325
State trunkline maintenance -							
Excess of revenues (expenditures)	\$ -	\$ (2,454)	\$ -	\$ -	\$ -	\$ 2,454	\$ -
Other financing sources (uses) :							
Operating transfers from other funds	\$ -	\$ -	\$ 1,600	\$ -	\$ -	\$ 1,600	\$ -
Operating transfers from component unit	-	-	-	-	-	-	-
Operating transfers to other funds	-	-	-	-	-	-	-
Operating transfers to primary government	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ -	\$ 1,600	\$ -	\$ -	\$ 1,600	\$ -
NET CHANGE IN FUND BALANCE	\$ (117,235)	\$ 945	\$ 80	\$ 16	\$ -	\$ (116,194)	\$ 12,325
FUND BALANCE BEGINNING OF YEAR	155,595	88,222	827	2,939	-	247,583	26,637
FUND BALANCE, END OF YEAR	\$ 38,360	\$ 89,167	\$ 907	\$ 2,955	\$ -	\$ 131,389	\$ 38,962

**The accompanying notes to financial statements are an integral part of this statement

VILLAGE OF LAKE LINDEN, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
February 28, 2005

Fund-balances - total governmental funds	\$ 131,389
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Amounts reported for *governmental activities* in the statement of net assets are different because:

An internal service fund is used by the Village to charge the costs of equipment usage to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets in the internal service fund	331,258
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets, net	500,172
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Certain taxes are not recognized as revenue in the governmental funds because they are not available to pay correct year expenditures

Add - deferred revenue	21,152
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Certain Liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - long-term portion of compensated absences payable	<u>(41,596)</u>
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Net Assets of governmental activities	<u><u>\$ 942,375</u></u>
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***The accompanying notes are an integral part of these financial statements.*

VILLAGE OF LAKE LINDEN, MICHIGAN
Reconciliation of the statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds
To the Statement of Activities
FOR THE YEAR ENDED FEBRUARY 28, 2005

Net change in fund balances - total governmental funds	\$ (116,194)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital assets	16,910
Deduct - depreciation expense	(18,025)
An internal service fund is used by the Village to charge the costs of equipment usage to individual funds. The net revenue (expense) of the fund is reported with governmental activities.	
Add - net operating income in internal service fund	98,789
Add - investment income from governmental internal service funds	565
Deduct - interest expense	(745)
Add - net transfers	(7,000)
Certain taxes are not recognized as revenue in the governmental funds because they are not available to pay current year expenditures.	
Deduct - decrease in deferred revenue	(1,252)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	
Add - decrease in accrual for compensated absences	4,904
Change in net assets of governmental activities	<u>\$ (22,048)</u>

***The accompanying notes are an integral part of these financial statements.*

VILLAGE OF LAKE LINDEN, MICHIGAN
STATEMENT OF NET ASSET
PROPRIETARY FUNDS
AS OF FEBRUARY 28, 2005

	Enterprise Funds			Internal Service Fund
	Water Supply	Sanitation	Total	Equipment
Assets				
Current Assets:				
Cash	\$ 12,102	\$ 244	\$ 12,346	\$ 36,208
Accounts receivable	25,416	4,415	29,831	-
Inventories	8,298	2,919	11,217	-
Prepaid expense	-	-	-	2,615
Due from other funds	3,543	1,797	5,340	55,255
Total Current Assets	<u>\$ 49,359</u>	<u>\$ 9,375</u>	<u>\$ 58,734</u>	<u>\$ 94,078</u>
Noncurrent Assets:				
Capital assets, net	<u>\$ 1,534,035</u>	<u>\$ -</u>	<u>\$ 1,534,035</u>	<u>\$ 317,703</u>
Other Assets:				
Restricted cash	<u>\$ 17,859</u>	<u>\$ -</u>	<u>\$ 17,859</u>	<u>\$ -</u>
Total Assets	<u><u>\$ 1,601,253</u></u>	<u><u>\$ 9,375</u></u>	<u><u>\$ 1,610,628</u></u>	<u><u>\$ 411,781</u></u>
Liabilities				
Current Liabilities:				
Accounts payable	\$ 1,088	\$ 1,425	\$ 2,513	\$ 2,879
Salaries payable	381	138	519	165
Interest payable	11,615	-	11,615	745
Due to other fund	8,112	6,226	14,338	3,234
Current maturities on notes payable	30,000	-	30,000	3,500
Total Current Liabilities	<u>\$ 51,196</u>	<u>\$ 7,789</u>	<u>\$ 58,985</u>	<u>\$ 10,523</u>
Long-Term Debt				
Bonds/Notes payable				
Net of current maturities	<u>\$ 1,085,000</u>	<u>\$ -</u>	<u>\$ 1,085,000</u>	<u>\$ 70,000</u>
Total Liabilities	<u>\$ 1,136,196</u>	<u>\$ 7,789</u>	<u>\$ 1,143,985</u>	<u>\$ 80,523</u>
Net Assets				
Invested in capital assets, net of related debt	\$ 419,035	\$ -	\$ 419,035	\$ 244,203
Unrestricted	46,022	1,586	47,608	87,055
Total Net Assets	<u><u>\$ 465,057</u></u>	<u><u>\$ 1,586</u></u>	<u><u>\$ 466,643</u></u>	<u><u>\$ 331,258</u></u>

**The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKE LINDEN, MICHIGAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2005

	Enterprise Funds			Internal Service Fund
	Water Supply	Sanitation	Total	Equipment
Operating Revenue				
Charges for services	\$ 136,933	\$ 49,151	\$ 186,084	\$ 142,774
Other	3,011	317	3,328	250
Total Operating Revenue	<u>\$ 139,944</u>	<u>\$ 49,468</u>	<u>\$ 189,412</u>	<u>\$ 143,024</u>
Operating Expense				
Wages	\$ 24,098	\$ 9,819	\$ 33,917	\$ 16,100
Fringe benefits	20,191	8,343	28,534	13,758
Equipment rentals	7,585	6,712	14,297	-
Supplies	2,341	5,269	7,610	8,689
Office	1,450	258	1,708	-
Tipping fees	-	23,397	23,397	-
Repairs and Maintenance	-	-	-	21,149
Depreciation	40,395	-	40,395	34,279
Insurance	-	-	-	5,230
Professional services	2,051	-	2,051	1,531
Utilities	11,943	-	11,943	-
Other	1,835	1,026	2,861	586
Total Operating Expense	<u>\$ 111,889</u>	<u>\$ 54,824</u>	<u>\$ 166,713</u>	<u>\$ 101,322</u>
Net Income From Operations	<u>\$ 28,055</u>	<u>\$ (5,356)</u>	<u>\$ 22,699</u>	<u>\$ 41,702</u>
Non-operating Revenues:				
Interest	304	-	304	565
Donations	-	-	-	11,087
Federal Grant	-	-	-	46,000
Non-operating Expense:				
Interest	(28,313)	-	(28,313)	(745)
Transfers in / (out)	-	5,400	5,400	(7,000)
Net Income	<u>\$ 46</u>	<u>\$ 54</u>	<u>\$ 90</u>	<u>\$ 91,609</u>
Net assets-beginning	465,011	1,542	466,553	239,649
Net assets-ending	<u>\$ 465,057</u>	<u>\$ 1,586</u>	<u>\$ 466,643</u>	<u>\$ 331,258</u>

**The accompanying notes to financial statements are an integral part of this statement

VILLAGE OF LAKE LINDEN, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sanitation	Total	Equipment
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$141,693	\$141,693	\$190,801	\$ 250
Cash received from interfund services	70	-	70	96,338
Cash payments to employees	(38,647)	(15,851)	(54,493)	(57,614)
Cash payments to suppliers for goods and services	(15,643)	(28,817)	(44,460)	(36,666)
Cash payments for interfund services	(5,023)	(5,348)	(10,371)	-
NET CASH PROVIDED BY OPERATING EXPENSES	\$82,450	(\$905)	\$81,542	\$ 2,308
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: IES:				
Proceeds from federal grants	\$ -	\$ -	\$ -	\$ 46,000
Proceeds from donations	-	-	-	11,087
Proceeds from long-term debt	-	-	-	73,500
Acquisition of capital assets	(21,052)	-	(21,058)	(203,617)
Principal paid on long-term debt	(30,000)	-	(30,000)	-
Interest paid on long-term debt	(28,625)	-	(28,625)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (79,677)	\$ -	\$ (79,677)	\$ (73,030)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	\$ 304	\$ -	\$ 304	\$ 565
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 3,077	\$ 908	\$ 2,169	\$ -
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,025	1152	10,177	106,365
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,102	\$ 244	\$ 12,346	\$ 36,208
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ 28,055	\$ (5,356)	\$ 22,699	\$ 41,702
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	40,395	-	40,395	34,279
Change in assets and liabilities:				
Accounts Receivable	1,749	(360)	1,389	-
Inventory	(1,921)	1,156	(765)	-
Due from other funds	-	-	-	(42,670)
Due from component unit	70	-	70	-
Restricted cash	7,306	-	7,306	-
Accounts payable	(1,408)	3,684	2,276	519
Accrued Salaries	255	(32)	223	(110)
Due to other funds	7,949	-	7,949	(31,412)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 82,450	\$ (908)	\$ 81,542	\$ 2,308

**The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKE LINDEN, MICHIGAN
Notes to Financial Statements
YEAR ENDED FEBRUARY 28, 2005

NOTE A – DESCRIPTION OF VILLAGE OPERATIONS

The Village was organized in 1885 and covers an area of approximately 440 acres. The 2000 census indicated a population of 1,081. The Village operates under an elected Council of seven members.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

The Village complies with Generally Accepted Accounting Principles (GAAP). The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" these financial statements present the Village of Lake Linden, Michigan and its component unit. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based on these criteria the Torch Lake Sewage Authority and the Lake Linden Housing Commission are not component units. These entities are audited separately and copies of their audit reports can be obtained from the entities directly.

DIRECTLY PRESENTED COMPONENT UNITS

The Downtown Development Authority is considered to be a component unit of the Village and its financial statements are presented discretely with the Village's.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from the business-type activities which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods,

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
NOTE B – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The various funds are grouped in the financial statements into five generic fund types and two broad fund categories as follows:

Governmental Funds

General Fund

The General Fund is the general operating fund of the village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Special Assessment Funds

Special Assessment Funds are used to account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost reimbursement basis. In the Government-wide financial statements, the Internal Service Fund (Equipment) is combined with the governmental activities.

CASH

Deposits are carried at a cost. Deposits are in two financial institutions in the name of the Village of Lake Linden, Michigan.

SURPLUS FUNDS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy as required by Act 196 PA 1997 has been adopted by the board. The Village's deposits and investments are in accordance with statutory authority. All of the Village's surplus funds are in bank savings accounts and certificates of deposit.

The Governmental Accounting Standards Board (GASB) Statement No. 3 and GASB Statement No. 40 risk disclosures for deposits at year-end are as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Carrying Amounts			
	Primary Government	Component Unit	Total
\$	<u>165,764</u>	<u>25,116</u>	<u>190,880</u>
Bank Balances			
\$	<u>171,521</u>	<u>25,199</u>	<u>196,720</u>

All deposits are either insured or collateralized.

INVENTORY

Inventory is recognized at the lower of cost (first-in; first-out) or market.

Capital Assets - Capital assets, which include property, equipment, and infrastructure assets (roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Before March 1, 2004, infrastructure assets were not capitalized. Infrastructure assets acquired since March 1, 2004 are recorded at cost.

Property and equipment is being depreciated using the straight-line method over the following estimated useful lives:

Buildings and Marina	30 to 40 years
Land Improvements	50 years
Water Lines	40 to 50 years
Infrastructure	20 years
Vehicles	5 to 20 years
Office Equipment	5 to 7 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Capital asset activity for the year ended February 28, 2005, was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 72,403	\$ -	\$ -	\$ 72,403
Other capital assets:				
Land Improvements	\$ 174,038	\$ -	\$ -	\$ 174,038
Buildings and Improvements	140,502	-	-	140,502
Marina Docks	209,306	-	-	209,306
Road Networks	-	14,430	-	14,430
Equipment and Vehicles	686,439	206,097	(21,172)	871,364
Total capital assets being depreciated	<u>\$ 1,210,285</u>	<u>\$ 220,527</u>	<u>\$ (21,172)</u>	<u>\$ 1,409,640</u>
Less accumulated depreciation:				
Land Improvement	\$ (33,524)	\$ (3,497)	\$ (-)	\$ (37,021)
Building and Improvement	(73,398)	(3,445)	-	(76,843)
Marina Docks	(49,788)	(5,233)	-	(55,021)
Road Network	-	(722)	-	(722)
Equipment and Vehicles	(476,326)	(39,407)	21,172	(494,561)
Total accumulated depreciation	<u>\$ (633,036)</u>	<u>\$ (52,304)</u>	<u>21,172</u>	<u>\$ (664,168)</u>
Governmental activities, capital assets, net	<u>\$ 649,652</u>	<u>\$ (168,223)</u>	<u>\$ -</u>	<u>\$ (817,875)</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 11,793	\$ -	\$ -	\$ 11,793
Other capital assets				
Water systems, equipment, and well development costs	\$ 1,957,858	\$ 21,052	\$ -	\$ 1,978,910
Total capital assets being depreciated	<u>\$ 1,957,858</u>	<u>\$ 21,052</u>	<u>\$ -</u>	<u>\$ 1,978,910</u>
Less accumulated depreciation for:				
Water systems, equipment, and well development costs	\$ (416,273)	\$ (40,395)	\$ -	\$ (456,668)
Total accumulated depreciation	<u>\$ (416,273)</u>	<u>\$ (40,395)</u>	<u>\$ -</u>	<u>\$ (456,668)</u>
Other capital assets, net	<u>\$ 1,541,585</u>	<u>\$ (19,343)</u>	<u>\$ -</u>	<u>\$ 1,522,242</u>
Business-type activities, capital assets, net	<u>\$ 1,553,378</u>	<u>\$ (19,343)</u>	<u>\$ -</u>	<u>\$ 1,534,035</u>
Depreciation expense was charged to programs as follows:				
Governmental Activities				
General Government	\$ 4,761			
Public Safety	3,705			
Recreation	13,201			
Public Works	26,121			
Other	377			
Total Governmental Activities	<u>\$ 48,165</u>			
Business-type Activities				
Water	\$ 2,522			
Sanitation	1,617			
Total Business-type activities	<u>\$ 4,139</u>			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

ACCRUED EMPLOYEE PAID TIME OFF

The amount shown in this account reflects amounts owed to employees for accumulated paid time off at the current rates of pay for such employees at February 28, 2005.

The Village's policy allows employees to accumulate paid time off up to 240 hours. Each year end, unused paid time off will be paid to employees.

INTERFUND LOANS

Interfund loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources."

PENSION PLAN

The Village has a pension plan covering substantially all of its non-elected full time employees. Contributions made to the pension plan, which is administered by the State of Michigan, are charged to expense annually. Employees are covered as of their first day of employment, and are fully vested after ten years of continuous service. The Village has no fiduciary responsibility and no further liability for this plan other than such contributions. The Village's contribution to this plan for the year ended February 28, 2005 was \$26,218. The Village offers no post-employment benefits other than pension benefits (OPEB).

Additional information about this plan is available from the Michigan Municipal Employees Retirement System (MERS) at 447 North Canal Street, Lansing MI, 48917-9755.

CAPITAL CONTRIBUTIONS

During the year ended February 28, 1981, the Village adopted the policy of accounting for capital contributions to the several funds in accordance with Statements No. 1 and 2 of the National Council on Governmental Accounting.

Previously, no distinction was drawn between contributions of capital to a fund, either from other funds within the governmental unit or from other governmental units or other entities, whether such contributions were of "residual equity" (that is, start-up capital not intended for specific purposes and not necessarily to be repaid later, much like capital stock in a private corporation) or "capital contributions" (that is, designated by an outside source for capital expenditures, such as an E.P.A. grant for sewer improvement project construction). All such contributions were shown as increases in equity and were generally never reduced by future circumstances. Under these pronouncements, a distinction is drawn between residual equity and capital contributions, as distinguished from each other in the preceding paragraph. Contributions of residual equity are now handled much the same as before, with reductions in that account permitted only if excess funds are returned to the original source as "returns of capital." On the other hand, capital contributions to a fund from an outside agency which have been earmarked by that agency, and not the Village, for a capital project (as in the sewer improvement project example used above), are shown in the equity section but, in proprietary funds such as the Water Supply System Fund and the Equipment Fund, the amounts are reduced by depreciation taken on the capital assets purchased with such monies. All contributed capital has been fully amortized as of February 28, 2004.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - SEWAGE DISPOSAL SYSTEM

The Village of Lake Linden, together with the Township of Osceola, Township of Schoolcraft, and Township of Torch Lake, entered into a contract with the County of Houghton's Department of public works to obtain the use of a sewage disposal system estimated to cost \$6,999,640. The local share of these costs is estimated at \$1,765,000.

Bonds issued by the County in the aggregate principal amount of \$1,765,000 finance the local share of the project cost. The bonds mature on May 1, 1987 through 2007, inclusive, in amounts ranging from \$45,000 to \$90,000 per year plus interest at the rate of 5%.

Special sewer assessments totaling \$443,709 have been made, of which \$427,443 plus \$294,775 interest has been collected to date and paid to the County. It is expected that revenues generated by the sewage disposal system will provide the remainder of the Village's obligation to the County.

NOTE D - LAND HELD FOR FUTURE DEVELOPMENT

On February 5, 1986, the Village purchased a forty-acre parcel of land from Clifford and Edna Sibilsky for future development. The land is carried on the balance sheet of the General Fund as inventory. A portion of this land has been divided into lots and sold.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All land in the General Fund, because of its nature, was not available to finance expenditures of the current period, as of the balance sheet date and so a reserve of fund equity was established.

NOTE E - LONG-TERM DEBT

The Village has authorized the issuance of \$1,200,000 general obligation tax bonds, series 2001, dated as of June 28, 2001. The bonds have been delivered on the date above to provide funds to pay the cost of construction and installation of improvements to the water supply system.

The Village received from the Michigan Municipal Bond Authority as purchaser of the bond, the sum of \$1,200,000.

Repayment of the bond is expected to be made from the proceeds from the sale of water. Repayment will begin April 1, 2002 and continue semi-annually until October 1, 2031. The interest rate on the bonds is 2.5%.

In November of 2004, the Village borrowed \$73,500 to help purchase a fire truck.

Repayment of the loan is expected to be made by rent paid by the General Fund for use of the truck. Repayment will begin June 1, 2005 and continue semi-annually until December 1, 2019. The interest rate on the loan is 4.25%.

The individual long-term debt and other general long-term obligations of the Village of Lake Linden and the changes therein, may be summarized as follows:

	Balance February 29, 2004	Additions	Reductions	Balance February 28, 2005
<u>INTERNAL SERVICE FUND</u>				
<u>INSTALLMENT LOAN</u>				
Equipment	\$ -	\$ 73,500		\$ 73,500
<u>WATER SYSTEM SUPPLY FUND BONDS</u>				
Water system improvements	\$ 1,175,000	\$ -	\$ 30,000	\$ 1,115,000
<u>GENERAL LONG-TERM DEBT GROUP</u>				
<u>OF ACCOUNTS</u>				
Accrued compensated absences payable	\$ 46,500	\$ -	\$ 4,904	\$ 41,596
TOTAL	<u>\$ 1,191,500</u>	<u>\$ 73,500</u>	<u>\$ 34,904</u>	<u>\$ 1,230,096</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Maturities on long-term debt are as follows:

Year ending February 28, 2006	\$ 33,500
Year ending February 28, 2007	34,000
Year ended February 28, 2008	34,000
Year ended February 28, 2009	34,000
Year ended February 28, 2010	34,000
Thereafter	1,019,000
TOTAL	<u>\$ 1,188,500</u>

NOTE F - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the General Purpose Financial Statements – Overview, of certain information concerning individual funds including:

Water Supply System Fund

To account for the provision of water services to the Village. Activities of the fund include administration, operation, and maintenance of the water system and billing and collection activities. All costs are financed through charges made to water customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Sanitation Fund

To account for operation of the Village's garbage collection, transportation, and fees to the county landfill.

Selected financial information for business segments of enterprise funds for the year ended February 28, 2005 is presented as follows:

	<u>Fund</u>		
	<u>Water Supply System</u>	<u>Sanitation</u>	<u>Total</u>
Operating Revenues	\$ 139,944	\$ 49,468	\$ 189,412
Operating Expenses	111,889	54,824	166,713
Depreciation	40,395	0	40,395
Operating Income (Loss)	28,055	(5,356)	22,699
Net Income (Loss)	46	44	90
Fixed Asset Additions	21,052	0	21,052
Net Working Capital	(1,837)	1,586	(251)
Total Assets	1,601,253	9,375	1,610,628
Total Equity	465,057	1,586	466,643

Fiscal year and Budget definition

The Village charter establishes the fiscal year as the twelve-month period beginning March 1. The counsel's finance committee prepares a draft of the budget, which is then finalized by the full council. After a public hearing is held, the council adopts the budget legally.

Budgeted amounts are as originally adopted or as amended by the Village Council. The budget is on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

In the body of the financial statements, the Village's original and final budgeted and actual expenditures have been shown on a functional basis. The approved budgets of the Village for the budgetary funds were adopted to the functional level.

Excess Village expenditures

During the year ended February 28, 2005, the village incurred expenditures that were in excess of the amounts appropriated as follows:

Fund	Total Appropriations	Amount of Expenditures and Operating Transfers Out	Over Budget
Major Street	\$ 88,870	\$ 91,105	\$ 2,235
Local Street	95,250	97,321	2,071
General	438,050	478,751	40,701

These conditions were in violation of Public Act 621 of 1978

Deficit fund balances

Deficit fund balances or retained earnings balances of individual funds. There were no funds which had deficit fund balances or retained earnings balances as of February 28, 2005.

Interfund Receivables

The amount of Interfund receivables and payables at February 28, 2005 are as follows:

Fund	Interfund Recievable	Fund	Interfund Payable
General	\$ 19,523	Sanitation	\$ 6,226
		Local Street	8,563
		Major Street	2,890
		Water	1,844
			<u>\$ 19,523</u>
SUBTOTAL	<u>\$ 19,523</u>		
Equipment	\$ 55,255	Water	\$ 2,562
		General	52,693
		SUBTOTAL	<u>\$ 55,255</u>
SUBTOTAL	<u>\$ 55,255</u>		
Sanitation	\$ 1,797	Water	163
		Equipment	\$ 1,634
		SUBTOTAL	<u>\$ 1,797</u>
SUBTOTAL	<u>\$ 1,797</u>		
Local Steet	\$ 1,600	Equipment	\$ 1,600
		SUBTOTAL	<u>\$ 1,600</u>
SUBTOTAL	<u>\$ 1,600</u>		
TOTALS	<u><u>\$ 78,175</u></u>		
			<u><u>\$ 78,175</u></u>

The General Fund also owes the Downtown Development Authority \$13,846 for captured taxes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund transfers

The Equipment fund made the following contributions to other funds:

Local Street	\$ 1,600
Sanitation	5,400
	<u>\$ 7,000</u>

NOTE G - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property and tangible personal property that is used in businesses located in the Village. Taxes are levied on July 1 on the taxable value listed as of the prior January 1st. The due dates for taxes to be paid without penalty for the 2004 summer levy is September, 2004. All real property taxes remaining unpaid by October are bought by Houghton County. Property tax revenue is recognized as of July 1, when the taxes are levied. Any taxes recorded before the date is recorded as deferred revenue. Property taxes remaining uncollected sixty days after the end of the fiscal year are required to be recorded as deferred revenue in accordance with generally accepted accounting principles.

The Village Assessor establishes taxable values at 50% of appraised market value. The Village's tax rate applicable to 2004 was \$14,9608 on each \$1,000 of tax valuation applied to property with a Taxable Value of \$9,384,873.

NOTE H - OTHER ASSETS - RESTRICTED CASH

This asset consists of cash in the Water Supply System Fund that is restricted for specific purposes. The Water System Improvement account contains funds raised from the sale of water to make additional improvements or if necessary bond payments. The general obligations limited tax water bond debt retirement account is used to accumulate funds to make repayments on the bonds.

NOTE I - RISK MANAGEMENT

The Village of Lake Linden is exposed to various risks of loss related to torts; theft of, damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the

Required Supplemental Financial Information

VILLAGE OF LAKE LINDEN, MICHIGAN
GENERAL FUND
Statement of Revenues, Expenditures and Fund Balance
BUDGET AND ACTUAL
Year Ended February 28, 2005

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 111,000	\$ 115,700	\$ 108,627	\$ (7,073)
State grants	169,000	148,600	140,815	(7,785)
Charges for services	33,000	34,500	29,003	(5,497)
Other revenue	84,000	129,250	83,071	(46,179)
TOTAL REVENUES	\$ 397,000	\$ 428,050	\$ 361,516	\$ (66,534)
Expenditures:				
Legislative	\$ 7,300	\$ 7,300	\$ 8,382	\$ (1,082)
General government	61,600	61,600	71,574	(9,974)
Public safety	84,250	86,750	93,208	(6,458)
Public works	25,950	28,600	33,486	(4,886)
Recreation and culture	44,000	60,400	62,659	(2,259)
Other expenditures	173,650	193,400	209,442	(16,042)
TOTAL EXPENDITURES	\$ 395,000	\$ 438,000	\$ 478,751	\$ (40,701)
Excess of Revenues (Expenditures)	\$ 2,000	\$ (10,000)	\$ (117,235)	\$ (107,235)
Other financing sources:				
Operating transfers from other funds	\$ 27,000	\$ -	\$ -	\$ -
Operating transfers from component unit	-	10,000	-	(10,000)
Operating transfers to other funds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 27,000	\$ 10,000	\$ -	\$ (10,000)
Excess of revenues and other sources (Expenditures and other uses)	<u>\$ 29,000</u>	<u>\$ -</u>	<u>\$ (117,235)</u>	<u>\$ 117,235</u>
Fund balance beginning of year			155,595	
FUND BALANCE END OF YEAR			<u>\$ 38,360</u>	

VILLAGE OF LAKE LINDEN, MICHIGAN
MAJOR STREET FUND
Statement of Revenues, Expenditures and Fund Balance
BUDGET AND ACTUAL
Year Ended February 28, 2005

	<u>Budgeted Amounts</u>			<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
State shared revenues:				
Gas and weight tax	\$ 44,000	\$ 56,000	\$ 55,729	\$ (271)
Local road program	1,600	2,000	1,837	(163)
Snow removal distribution	10,500	10,000	8,970	(1,030)
Interest income	2,200	600	1,122	522
TOTAL REVENUES	<u>\$ 58,300</u>	<u>\$ 68,600</u>	<u>\$ 67,658</u>	<u>\$ (942)</u>
Expenditures:				
Construction	\$ 2,170	\$ 2,170	\$ -	\$ 2,170
Routine maintance	12,650	24,400	20,643	3,757
Traffic service	380	1,900	2,896	(996)
Snow and ice control	56,200	35,000	39,450	(4,450)
Administration and engineering	500	1,150	1,270	(120)
TOTAL EXPENDITURES	<u>\$ 71,900</u>	<u>\$ 64,620</u>	<u>\$ 64,259</u>	<u>\$ 361</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTANCE	<u>\$ (13,600)</u>	<u>\$ 3,980</u>	<u>\$ 3,399</u>	<u>\$ (581)</u>
State trunkline maintance				
Excess of Revenues (Expenditures)	<u>13,600</u>	<u>2,750</u>	<u>(2,454)</u>	<u>(5,204)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ 6,730</u>	<u>\$ 945</u>	<u>\$ (5,787)</u>
Fund Balance beginning of year			<u>88,222</u>	
FUND BALANCE, END OF YEAR			<u><u>\$ 89,167</u></u>	

VILLAGE OF LAKE LINDEN, MICHIGAN
LOCAL STREET FUND
Statement of Revenues, Expenditures and Fund Balance
BUDGET AND ACTUAL
Year Ended February 28, 2005

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Current levy	\$ 35,000	\$ 36,000	\$ 32,142	\$ (3,858)
Delinquent taxes	-	4,500	4,377	(123)
County sources	11,000	12,000	11,257	(743)
State shared revenue:				
Gas and weight tax	22,000	28,000	27,714	(286)
Local road program	800	1,000	913	(87)
Snow removal distribution	18,000	19,000	19,065	65
Interest income	300	200	333	133
TOTAL REVENUES	<u>\$ 87,100</u>	<u>\$ 100,700</u>	<u>\$ 95,801</u>	<u>\$ (4,899)</u>
Expenditures:				
Construction	\$ 13,300	\$ 14,500	\$ 14,430	\$ 70
Routine maintenance	13,100	28,800	28,091	709
Traffic service	870	1,100	1,023	77
Snow and ice control	55,800	49,700	52,615	(2,915)
Administration and engineering	530	1,150	1,162	(12)
TOTAL EXPENDITURES	<u>\$ 83,600</u>	<u>\$ 95,250</u>	<u>\$ 97,321</u>	<u>\$ (2,071)</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 3,500</u>	<u>\$ 5,450</u>	<u>\$ (1,520)</u>	<u>\$ (6,970)</u>
Other financing sources -				
Operating transfers in	\$ -	\$ -	\$ 1,600	\$ 1,600
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ 3,500</u>	<u>\$ 5,450</u>	<u>\$ 80</u>	<u>\$ (5,370)</u>
Fund Balance beginning of year			827	
FUND BALANCE END OF YEAR			<u>\$ 907</u>	

**VILLAGE OF LAKE LINDEN, MICHIGAN
REHABILITATION INVESTMENT FUND
Statement of Revenues and Expenditures
BUDGET AND ACTUAL
Year Ended February 28, 2005**

	<u>Budgeted Amount</u> Original and Final	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:			
Interest on investments	\$ 180	\$ 16	\$ (164)
Owners/occupants loan interest payments	20	-	(20)
<i>TOTAL REVENUES</i>	<u>\$ 200</u>	<u>\$ 16</u>	<u>\$ (184)</u>
Expenditures:			
Loan payment collection fees	\$ -	\$ -	\$ -
Professional services	200	-	200
<i>TOTAL EXPENDITURES</i>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 200</u>
<i>EXCESS OF REVENUES AND (EXPENDITURES)</i>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 16</u>

**VILLAGE OF LAKE LINDEN, MICHIGAN
SPECIAL SEWER ASSESSMENT FUND
Statement of Revenues, Expenditures and Fund Balance
BUDGET AND ACTUAL
Year Ended February 28, 2005**

	Budgeted Amounts Original And Final	Actual	Favorable (Unfavorable)
Revenues:			
Interest on special assessments	\$ 3,000	\$ 1,293	\$ (1,707)
Expenditures:			
Transfers to other governmental units- Houghton county board of public works - For debt retirement	\$ 3,000	\$ 1,293	\$ 1,707
Excess of Revenues (Expenditures)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance beginning of year		-	
FUND BALANCE END OF YEAR		<u>\$ -</u>	

Other Supplemental Information

VILLAGE OF LAKE LINDEN, MICHIGAN
General Fund
Schedules of Revenues

	<u>Year Ended</u>	
	<u>February 28,</u>	<u>February 29,</u>
	<u>2005</u>	<u>2004</u>
Taxes:		
General property taxes	\$ 91,212	\$ 88,320
Housing commision property payment in lieu of taxes	15,995	8,336
Collection fees	1,420	1,449
	<u>\$ 108,627</u>	<u>\$ 98,105</u>
State grants:		
Sales tax	\$ 135,158	\$ 140,258
Liquor license	1,441	1,475
Grants	500	9,557
Metro fees	3,716	-
	<u>\$ 140,815</u>	<u>\$ 151,290</u>
Charges for services:		
Fire protection	\$ 17,576	\$ 10,847
Sales and services	844	3,043
Park revenues	10,583	13,504
	<u>\$ 29,003</u>	<u>\$ 27,394</u>
Other revenue:		
Fringe reimbursements	\$ 76,580	\$ 75,768
State trunkline overhead	2,243	3,491
Miscellaneous	4,248	8,391
	<u>\$ 83,071</u>	<u>\$ 87,650</u>
Other financing sources:		
Operating transfers from other funds	-	\$ 30,000
Operating transfers from component unit	\$ -	10,000
	<u>\$ -</u>	<u>\$ 40,000</u>

VILLAGE OF LAKE LINDEN, MICHIGAN
GENERAL FUND
Schedules of Expenditures

	Year Ended	
	February 28, 2005	February 29, 2004
Legislative -- Village Council:		
Salaries	\$ 3,600	\$ 3,600
Travel and meetings	164	-
Miscellaneous	4,618	2,807
TOTAL LEGISLATIVE	<u>\$ 8,382</u>	<u>\$ 6,407</u>
General government:		
Executive:		
Salaries	\$ 1,500	\$ 1,500
Travel, meetings and miscellaneous	427	699
	<u>\$ 1,927</u>	<u>\$ 2,199</u>
Elections:		
Salaries	\$ 579	\$ 16
Operating supplies	132	69
Miscellaneous	107	241
	<u>\$ 818</u>	<u>\$ 326</u>
Clerk:		
Salaries	\$ 31,692	\$ 32,351
Professional services	5,645	6,461
Office supplies	2,123	2,797
Telephone and internet	2,646	2,508
Capital outlay	2,480	5,150
Miscellaneous	811	1,058
	<u>\$ 45,397</u>	<u>\$ 50,325</u>
Treasurer:		
Salaries and fees	\$ 3,092	\$ 2,956
Office supplies	910	814
Capital outlay	-	709
Miscellaneous	224	100
	<u>\$ 4,226</u>	<u>\$ 4,579</u>
Village hall:		
Salaries	\$ 5,376	\$ 2,688
Repairs and maintenance	1,126	1,382
Utilities	5,952	6,948
Heating	5,672	5,315
Miscellaneous	1,080	634
	<u>\$ 19,206</u>	<u>\$ 16,967</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 71,574</u>	<u>\$ 74,396</u>

GENERAL FUND – SCHEDULES OF EXPENDITURES (CONTINUED)

	Year Ended	
	February 28, 2005	February 29, 2004
Public safety:		
Law enforcement:		
Salaries	\$ 63,707	\$ 62,115
Repairs and maintenance	-	633
Office supplies	497	1,283
Uniform allowance	1,433	-
Equipment rental	5,060	3,986
Capital Outlay	-	611
Miscellaneous	3,493	2,893
	<u>\$ 74,190</u>	<u>\$ 71,521</u>
Fire control:		
Salaries	\$ 7,240	\$ 5,658
Repairs and maintenance	1,004	4,985
Equipment rental	3,079	1,415
Miscellaneous	7,695	3,478
	<u>\$ 19,018</u>	<u>\$ 15,536</u>
<i>TOTAL PUBLIC SAFETY</i>	<u>\$ 93,208</u>	<u>\$ 87,057</u>
Public works:		
Sidewalks:		
Salaries	\$ 4,079	\$ 2,067
Supplies and materials	-	770
Equipment rental	3,937	583
Miscellaneous	1,999	75
	<u>\$ 10,015</u>	<u>\$ 3,495</u>
Street lighting:		
Utilities	<u>\$ 17,506</u>	<u>\$ 16,433</u>
Parking lot:		
Salaries	\$ 1,627	\$ 2,718
Equipment rental	4,338	1,129
Miscellaneous	-	-
	<u>\$ 5,965</u>	<u>\$ 3,847</u>
<i>TOTAL PUBLIC WORKS</i>	<u>\$ 33,486</u>	<u>\$ 23,775</u>
Recreation and culture:		
Salaries	\$ 14,828	\$ 14,033
Repairs and maintenance	4,929	918
Utilities	5,975	5,441
Equipment rentals	10,999	853
Professional services	20,280	70,231
Capital outlay	-	26,439
Miscellaneous	5,648	2,664
<i>TOTAL RECREATION AND CULTURE</i>	<u>\$ 62,659</u>	<u>\$ 120,579</u>

GENERAL FUND – SCHEDULES OF EXPENDITURES (CONTINUED)

	Year Ended	
	February 28, 2005	February 29, 2004
Other expenditures:		
Sand and salt stock piles (Including shrinkage)	\$ 2,709	\$ 1,827
Employee benefits:		
Payroll taxes	\$ 23,957	\$ 21,114
Paid time off	34,900	6,208
Pension plan	26,218	24,556
Hospital insurance	60,230	71,080
Uniforms and licenses	971	538
	<u>\$ 146,276</u>	<u>\$ 151,475</u>
Insurance:		
Workers' compensation	\$ 7,073	\$ 4,473
Other	22,705	20,693
	<u>\$ 29,778</u>	<u>\$ 25,166</u>
Miscellaneous:		
Salaries	\$ 25,387	\$ 8,654
Repairs and maintenance	-	-
Equipment rental	1,565	776
Capital outlay	-	-
Other	3,727	12,964
	<u>\$ 30,679</u>	<u>\$ 22,394</u>
<i>TOTAL OTHER EXPENDITURES</i>	<u>\$ 209,442</u>	<u>\$ 200,862</u>
Other financing uses --		
Operating transfers out -- Other funds	\$ -	\$ -
<i>TOTAL EXPENDITURES</i>	<u>\$ 478,751</u>	<u>\$ 513,076</u>

VILLAGE OF LAKE LINDEN, MICHIGAN
Major Street Fund
Schedules of Expenditures and Reimbursements
FOR STATE TRUNKLINE MAINTENANCE

	<u>Year Ended</u>	
	<u>February 28,</u>	<u>February 29,</u>
	<u>2005</u>	<u>2004</u>
Expenditures:		
Surface maintenance	\$ 1,818	\$ 3,739
Drainage	271	125
Sweeping and flushing	909	1,445
Snow and ice control	10,130	10,588
Traffic signs and signals	1,156	177
Roadway inspection	239	748
Shoulder maintenance	-	-
M-26 overhead charges	2,243	2,630
Other winter maintenance -- Snow removal	10,080	10,572
	<u>\$ 26,846</u>	<u>\$ 30,024</u>
Reimbursements:		
State Department of Highway and Transportation	<u>\$ 24,392</u>	<u>\$ 27,699</u>
<i>EXCESS OF REVENUES (EXPENDITURES)</i>	<u><u>\$ (2,454)</u></u>	<u><u>\$ (2,325)</u></u>

Jutila, Jorgenson and Associates, P.C.

P.O. Box 175

Houghton, Michigan 49931

July 18, 2005

Village Council
Village of Lake Linden
Lake Linden, Michigan 49945

Management Letter

In connection with our audit of the general purpose financial statements of the VILLAGE OF LAKE LINDEN, MICHIGAN for the year ended February 28, 2005, the following comments and recommendations concerning accounting procedures and controls in effect in the Village are presented for your consideration.

1. We suggest the use of an accounts receivable subsidiary ledger for each fund and recommend that these ledgers be tied out to the related general ledger balance on a monthly basis.
2. We noted that expenditures and transfers out exceeded appropriations in three funds. We urge the Council to take steps to avoid such excess spending by comparing expenditures and budgets throughout the year. In some instances, it may be necessary to decrease budgeted expenditures to match decreases in anticipated revenue in order to achieve a balanced budget. All budgetary type funds should have a budget enacted before expenditures are made.
3. Additionally, we recommend that physical inventories be taken in the Sanitation Fund on a regular basis and compared with financial records. Discrepancies should be noted and investigated.

These comments have appeared in previous years' reports.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the February 28, 2005 financial statements, and this report does not affect our report on the financial statements dated July 18, 2005.

This report is intended solely for the use of management and should not be used for any other purpose. The comments contained herein are submitted as constructive suggestions to assist the Village in strengthening controls and procedures, and are not intended to reflect upon the honesty or integrity of any employee.

We would be happy to discuss any of the comments in this report, and would like to thank the officials and employees of the Village for the courtesy and cooperation shown us during our audit.

Michael J. Jutila, CPA.

Michael J. Jutila
Certified Public Accountant
Jutila, Jorgenson & Associates, P.C.